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DEPT FOR AF/FO -- ASSISTANT SECRETARY FRAZER
DEPT FOR AF/E -- MBEYZEROV

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TAGS: [PREL](#) [PGOV](#) [ECON](#) [OVIP](#) [MA](#) [CN](#)

SUBJECT: SCENESETTER FOR A/S FRAZER'S VISIT TO MADAGASCAR

11. (SBU) SUMMARY. Welcome to Antananarivo! Your visit to Madagascar and the Union of the Comoros comes at an important time as both countries - in quite different circumstances - face challenges that are likely to define the future character of their governance. Your arrival, as the highest ranking State Department official to visit in decades, provides you some ability to help steer this process in each country. In Madagascar, President Marc Ravalomanana has staked the future of his presidency on a bold vision for rapid development described in the Madagascar Action Plan, or the MAP. Immediately following a month of unprecedented public consultation on the strategy for attaining the eight different MAP goals, the president suffered a crushing defeat in the Antananarivo mayoral elections, with the president's candidate losing 2-1. Ravalomanana's vision for the future and his determined efforts to shake his countrymen into more assertive action to improve their well-being are laudable; however, he is always headstrong and he can be capricious, so the days ahead will determine whether he opens political space for the victorious mayoral challenger or seeks to grasp the reins of power even tighter. Initial indications are positive, and you can support him in the notion that losing elections is as much a part of democracy as winning them. Septel provides a scenesetter for the Comoros. END SUMMARY AND INTRODUCTION.

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MADAGASCAR - Political
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12. (U) Relative political stability, significant natural resources, a strategic location in the Indian Ocean, and a distinctly pro-American government make Madagascar a country of growing interest to the United States. Madagascar is important because, almost alone among African countries, it is making simultaneous progress in consolidating democracy, developing as a free market economy, combating corruption and trafficking in persons, fighting HIV-AIDS before it takes hold, and protecting its unique environment. In recognition of these accomplishments, Madagascar was selected as the first Millennium Challenge Account (MCA) country. However, these advances are fragile and susceptible to setbacks in a country of heartbreaking poverty and shallow-rooted democratic traditions.

13. (U) You will recall well that Madagascar's 2001 presidential election, rife with irregularities, sparked a six-month political and economic crisis and temporarily split the country in two, bringing the country to the brink of civil war. Former President Didier Ratsiraka attempted to blockade the capital by attacking inbound infrastructure, particularly the bridges; however, the Ravalomanana forces steadily gained control over the entire country, ultimately forcing Ratsiraka into exile in July 2002. The United States government played a pivotal role in assisting the country to come to a peaceful resolution - still vividly remembered here -- but Madagascar emerged from this crisis and nearly 25 years of socialist mismanagement with a crumbling economy and a fractured political system. The 2006 presidential elections, by contrast, were

generally free and fair and President Ravalomanana won with a landslide 57 per cent despite facing 13 challengers.

14. (U) In power, Ravalomanana has moved with decided, and at times controversial, swiftness to move Madagascar onto a path of rapid growth and development, most recently through an ambitious five-year development program called the Madagascar Action Plan (MAP); you will hear repeated references to the MAP as the country's over-arching development blueprint, and your interlocutors will seek your support for the "MAP Road Show" they will take to Washington in February. Throughout November 2007, Ravalomanana and his government hosted the Presidential Dialogue talks, essentially a public comment period on the eight MAP topics ranging from good governance to economic growth to health and education. A cabinet reshuffle in late October put a number of more competent ministers in place, in line with the overall theme set by the President for his second term: "results, results, results." The big surprise was the appointment of the first ever woman and civilian Minister of Defense. Explaining that Madagascar needs to empower women to proceed on the path of development, the President pointed to Condoleezza Rice's former role as national security advisor in the U.S. as his model.

15. (U) The promotion of democracy remains a top U.S. foreign policy objective in Madagascar. To advance this goal, we have worked with the Malagasy government and civil society to ensure free, fair, and transparent elections as a top priority. In the past year alone, the Malagasy have gone to the polls four times: for presidential elections in December 2006, a constitutional referendum in April, National Assembly elections in September, and municipal elections last week. Although dominated by the President's TIM political party, all were considered by international and domestic election observers to be generally free and fair despite minor irregularities. However, repeated calls for electoral reforms, such as a truly independent national electoral commission and a single ballot, have gone unheeded; we have indications that the GOM will take up electoral reform in April, 2008, after Senatorial and regional elections are held - something you should encourage. Whether due to voter fatigue or the sense that the ruling TIM party's victory was inevitable, the last four elections were marked by progressively lower voter turnout. The one clear exception was TIM's humiliating upset in the mayoral elections in Antananarivo last week, when Andry Rajoelina, a successful businessman but political unknown, won a landslide victory against the appointed TIM incumbent. His victory was considered a vote of protest against the high cost of living, power outages, and infrastructure problems in the capital and may serve as an "alert" to the President that changes are in order throughout the country. It may also be viewed as a vote for democratic diversity and against monolithic TIM domination. President Ravalomanana was initially gracious in conceding his candidate's defeat, but the weeks ahead will test his ability to work cooperatively with the young new mayor and his team.

16. (U) Through a USD 1.1 million ESF-funded program launched in October 2006, the National Democratic Institute (NDI) has worked to consolidate democratic practices in Madagascar by bolstering the capacity of the Consortium of National Election Observers (CNOE) and other civil society actors, training a cadre of domestic election and media monitors, conducting civic education throughout the country, and promoting dialogue among political heavyweights on the need for electoral reform. However, the program is set to expire in early 2008.

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MADAGASCAR - Economic
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17. (U) With a per capita GDP of about USD 255 per year, Madagascar is one of the poorest countries in the world. More than 70 percent of the population is estimated to live below the poverty threshold and much of the rural population survives through subsistence farming. However, the country does have significant economic potential that stems from an industrious, competitive labor force and a variety of natural resources. Sustainable development of the country's natural resources remains a major challenge. In the short and medium terms, considerable economic growth can arise from more effective allocation and use of these resources.

18. (U) Agriculture plays a central role in Madagascar's economy, contributing more than 60 percent of the country's export earnings and 32 percent of GDP. Agriculture, fishing, and forestry employ between 70 and 80 percent of the people. The major agricultural exports are shrimps and spices such as vanilla and cloves. Agriculturally based products have the greatest potential to spur growth in the medium term and to provide broad-based poverty reduction. However, agricultural productivity is extremely low, even by African standards. In addition, poor natural resources management, limited investment, poorly functioning domestic markets, and weak linkages to international markets characterize the sector. Weak organization of producers and traders further constrains efforts to surmount these problems.

19. (U) The industrial sector accounts for about 13 percent of output but rapid growth is occurring, especially in extractive industries. Until the mines come on line, the growth comes mainly from the strong performance of the food, tobacco, and beverage industries where Ravalomanana's TIKO company dominates -- and U.S. company Seaboard has had difficulty in obtaining a level playing field. However, the President's opening speech on November 5 at the Presidential Dialogues promised publicly, for the first time, a level playing field and welcomed competitors in all sectors; this attention to conflict of interest issues here is to be welcomed. The major industrial exports are apparel and textiles, minerals, and gemstones such as sapphires. The textile and apparel industry, which hires about 100,000 workers, is a major source of formal employment and Madagascar is one of the main exporters of textiles and apparel to the U.S. under AGOA. Mining is dominated by two major foreign projects; the QMM ilmenite mine (ore of titanium dioxide, used primarily as a paint whitener) is already under development and transforming the southern port of Fort Dauphin. That investment is Anglo/Australian/Canadian in origin, as part of the Rio Tinto group. Dwarfing that project is Sherritt's Ambatovy nickel/cobalt mine, a 3.2 billion USD investment that is just getting underway; the investors are Canadian, with Korean and Japanese partners. Exxon is preparing to drill its first exploratory well offshore in the Mozambique Channel, among a number of foreign firms with oil/gas exploration rights here.

10. (U) The service sector, accounting for 55 percent of output, has been a significant source of growth in recent years. Service sector expansion is led by the tourism industry, transport services, telecommunications, and infrastructure improvements such as road construction or rehabilitation. However, ongoing power shortages and the perennial mismanagement of the state utility JIRAMA constrain the service sector and ensure that all large industrial projects include an independent power-generation component.

11. (U) The macroeconomic situation is generally considered stable, owing in part to adequate policy. Madagascar attained the completion point under the Heavily Indebted Poor Country (HIPC) initiative in 2004, thereby qualifying for substantial debt relief. In 2005 Madagascar qualified for additional debt relief under the IMF's Multilateral Debt Relief Initiative (MDRI). The IMF estimates GDP growth for 2007 and 2008 at 5.6 per cent, whereas the MAP target is for Madagascar to reach 8-10 per cent growth by 2012. Inflation is dipping into single digits and the currency is appreciating, in part due to the influx of foreign mining investment. The government's budgetary performance is hobbled by an ineffective revenue collection system rife with corruption, and by insufficient controls over extra-budgetary spending. Structural economic reform, including privatization, is proving to be slower and more difficult than anticipated. Apart from the extractive industry firms, new foreign investors do not consider the investment climate sufficiently attractive; but without greater foreign direct investment, the MAP growth goals will remain a distant dream. Engaging U.S. investors, and improving the climate awaiting them here, remain major mission goals.

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MADAGASCAR - Millennium Challenge Account
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12. (U) In April 2005 Madagascar was selected as the first Millennium Challenge Account (MCA) country with a USD 110 million program. Poverty in Madagascar is overwhelmingly rural. Rice

yields have consistently been among the world's lowest over the last forty years, and fertilizer use is one-twelfth the African average. In this setting, the most effective vehicle to reduce poverty is for the rural poor to invest in their land, employ proven technology to enhance productivity, improve farming methods, and sell to new markets. The MCA Madagascar program seeks to establish the right conditions for economic growth to ensure foreign aid effectiveness through three projects: Land Tenure, Finance and Agricultural Business Investment.

¶13. (SBU) The cachet of being selected first has now worn off - particularly with the president. He has seen subsequent MCA compacts, some going to smaller countries, dwarf his in size. He also perceives - somewhat unfairly in our opinion - that the Madagascar project is moving too slowly and without sufficient impact. His signature impatience leads him to swing between sudden and arbitrary changes in the existing compact - such as his dismissal of the director some six months ago - to clamoring for a "Second Compact" that would presumably be many times larger than the existing one. Complicating matters further, Madagascar is now failing all five of its "Investing in People" indicators, meaning a second compact will not be possible without remediation. In fact, given the political will, remediation is certainly possible and we are not asking anything of Madagascar that is not already a MAP goal they have enunciated themselves. Nonetheless, this may be a prickly topic in your discussions with the president. Offsetting this is the fact that your visit will come in the immediate wake of a DVC we are hosting on Tuesday between MCC officials and five concerned GOM ministers and their staffs. We are encouraged that the GOM, though belatedly, is becoming fully engaged on the MCA eligibility issues.

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MADAGASCAR - Health and Environment
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¶14. (U) Madagascar's major health problems include childhood and maternal health, malnutrition, malaria, sexually transmitted infections (STIs), and access to potable water. The HIV prevalence rate in Madagascar remains low, at about 1 per cent, but Madagascar has some of the highest rates of STIs in the world, which significantly enhances the risk for an accelerated HIV/AIDS epidemic. Nonetheless, President Ravalomanana is committed to fighting the spread of HIV aggressively, and the Government of Madagascar has taken bold steps to control its spread. With the recent launch of the President's Malaria Initiative (PMI) here, we are now deeply engaged in helping Madagascar address what is perhaps its most insidious public health challenge.

¶15. (U) Madagascar is a world biodiversity "hotspot" with over 80 percent of its flora and fauna occurring nowhere else on earth. The natural richness of the country is unsurpassed. However, Madagascar faces the challenge of conserving this global endowment in biodiversity for future generations given current rates of deforestation due primarily to slash and burn agricultural practices. In an unprecedented response to the continued loss of biodiversity, President Marc Ravalomanana made a commitment at the September 2003 World Parks Congress to increase Madagascar's protected area coverage from 1.7 million hectares to 6 million hectares by 2008, a commitment that has been extended in the MAP.

Through USAID, we are directly engaged in helping the GOM create the additional protected areas.

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MADAGASCAR - Security Challenges
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¶16. (SBU) In terms of security, Madagascar's maritime borders continue to be of concern as a possible conduit of transnational crime, terrorism, and illegal immigration. Madagascar cooperates closely with us in combating terrorism and seeking to prevent possible Al Qaeda members or others using the porous border to transit from mainland Africa to Madagascar to train, recruit, and/or build terrorist infrastructure. However, the human and material resources available for this effort are limited; an island nation, Madagascar only recently procured (from the EU) its first vessel capable of circumnavigating its own territory. Other Malagasy concerns, which we share, tend to be more economic in nature:

poached fisheries amounting to hundreds of millions of dollars annually, illegal logging, and smuggling of gemstones and narcotics; President Ravalomanana is likely to raise these concerns directly with you. Within its limited capacity, the GOM has been a willing partner on counterterrorism, international security, and maritime security issues. The GOM has a small contingent in Darfur; hosted the first international Maritime Security Conference in July 2006; continues to maintain and use Excess Defense Article (EDA) boats donated to Madagascar in 2003 to protect their maritime domain; invested in increased port and airport security; and has responded positively to AFRICOM.

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MADAGASCAR - The People
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¶17. (SBU) The Malagasy people, isolated on their "Red Island," scarcely consider themselves "African" and tend to be inward-looking and little engaged on the issues of the mainland. Of mixed Malay-Polynesian, African, and Arab descent, they are divided into 18 tribes, a term without pejorative overtones in the country. There are also minorities of Indo-Pakistani, Comoran, and Chinese heritage in the country. Ethnicity is a potential source of social tension and conflict in Madagascar. The grievances of coastal people against the Merina of the high plateau - grievances that center on the issue of economic dominance - continue to simmer. The Merina ruled much of the island prior to colonization and, with the arrival of the French and the British, formed alliances in the highlands with them. During the colonization period, the French continued to develop the high-plateau, and the gap between the high plateau and the coastal regions widened. Even though all of Madagascar's past presidents have been from coastal areas, little development has found its way to these outlying provinces. Contemporary politicians have used this gap between high-plateau and coastal regions to heighten ethnic tensions and consolidate power. Marc Ravalomanana is the first president of Merina ethnicity and took a bold step - which was surprisingly well-accepted - when he named another Merina, General Charles Rabemananjara, as Prime Minister after the 2006 election; additionally, every minister but two are Merina in origin.

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MADAGASCAR - Your Message
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¶18. (SBU) In your time here, you can make a lasting impact by encouraging the GOM's path towards consolidating democratization, good governance, and economic reform, with an emphasis on U.S. support for the MAP objectives. Given Madagascar's poor performance on the MCA "Investing in People" indicators, you should urge improvement on the indicators in order not to close the option of a second compact. Your visit will also be a good opportunity to congratulate Ravalomanana for holding four successful elections within the past year and inquire of any plans for political reforms in the coming months. You can also emphasize to the new Minister of Defense the importance of maritime security and the need to prevent Madagascar's maritime border from becoming a conduit of transnational crime, terrorism, and illegal immigration. While Madagascar is focused on its own development, insular by nature, and thus hesitant to engage outside its borders, you might encourage them to start doing so, perhaps by helping push for a resolution of problems in the neighboring Comoros. Finally, your meetings can provide a reminder of the importance of a truly level playing field in order to attract U.S. investors.

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